




International Segmentation and Positioning

Session 3



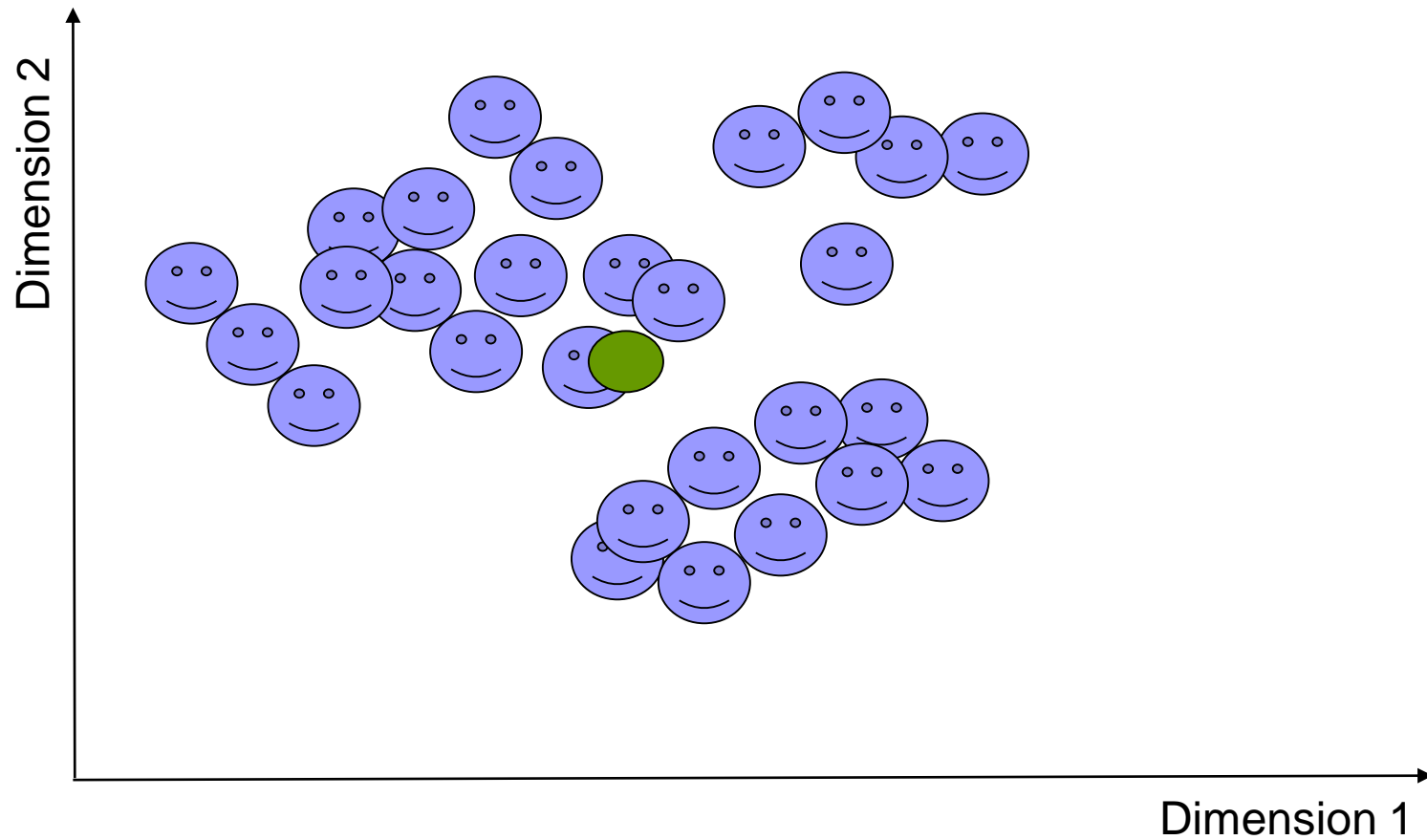
Agenda

- 
- Segmentation: How to divide the market?
 - At the macro level: Cross-country segments
 - At the micro level: Within-country segments
 - Targeting:
 - Which segment(s) to focus on?
 - Positioning:
 - How to communicate to the target?
 - Unique and consistent positioning in each segment

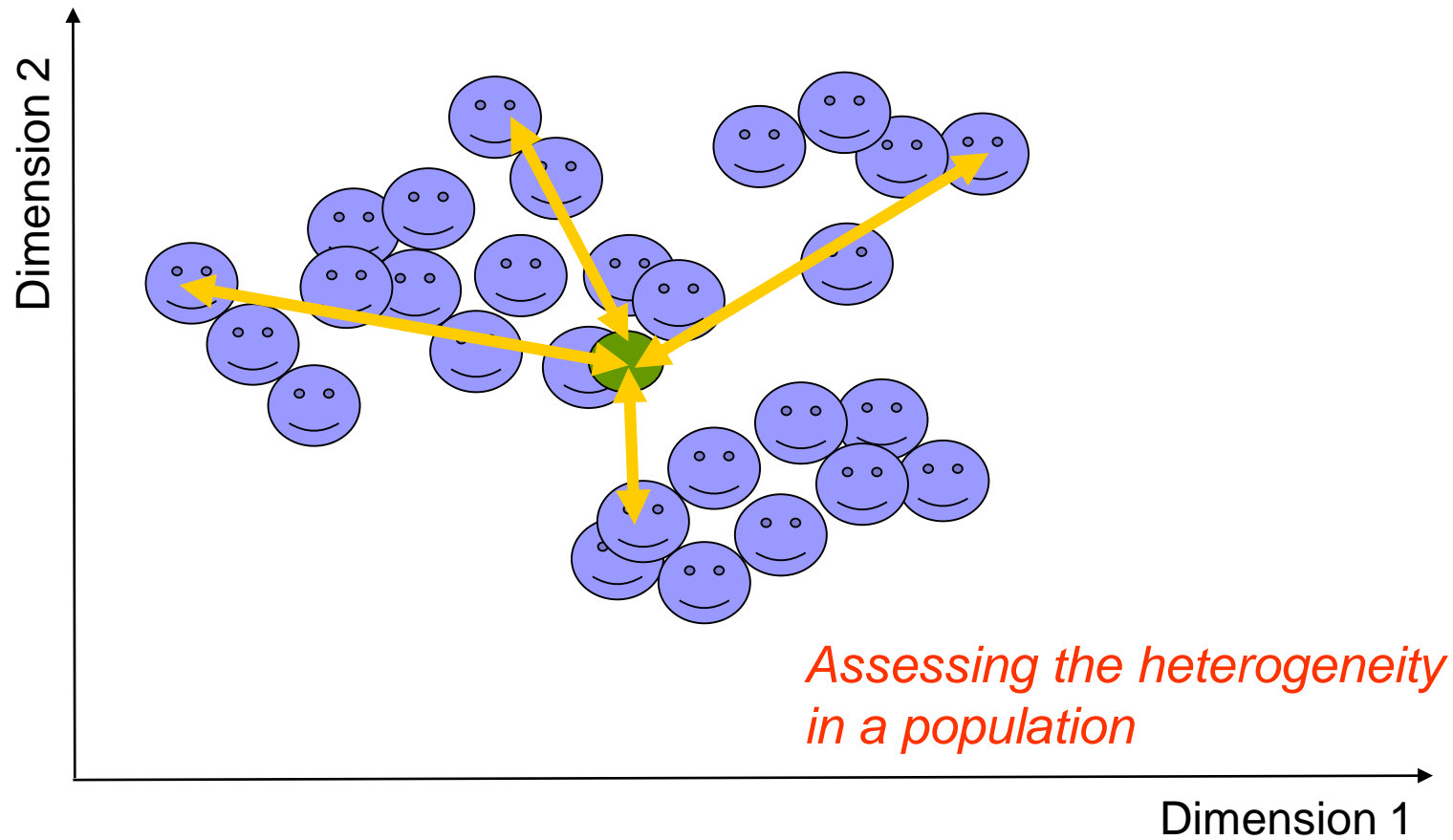
Why segment?

- To deal with the structure of heterogeneity in consumer needs and wants across borders
 - Better matching of products to customers
- To find some homogenous clusters of consumers who are likely to exhibit similar responses to marketing efforts
 - Reduced costs of marketing
- To focus on best segments

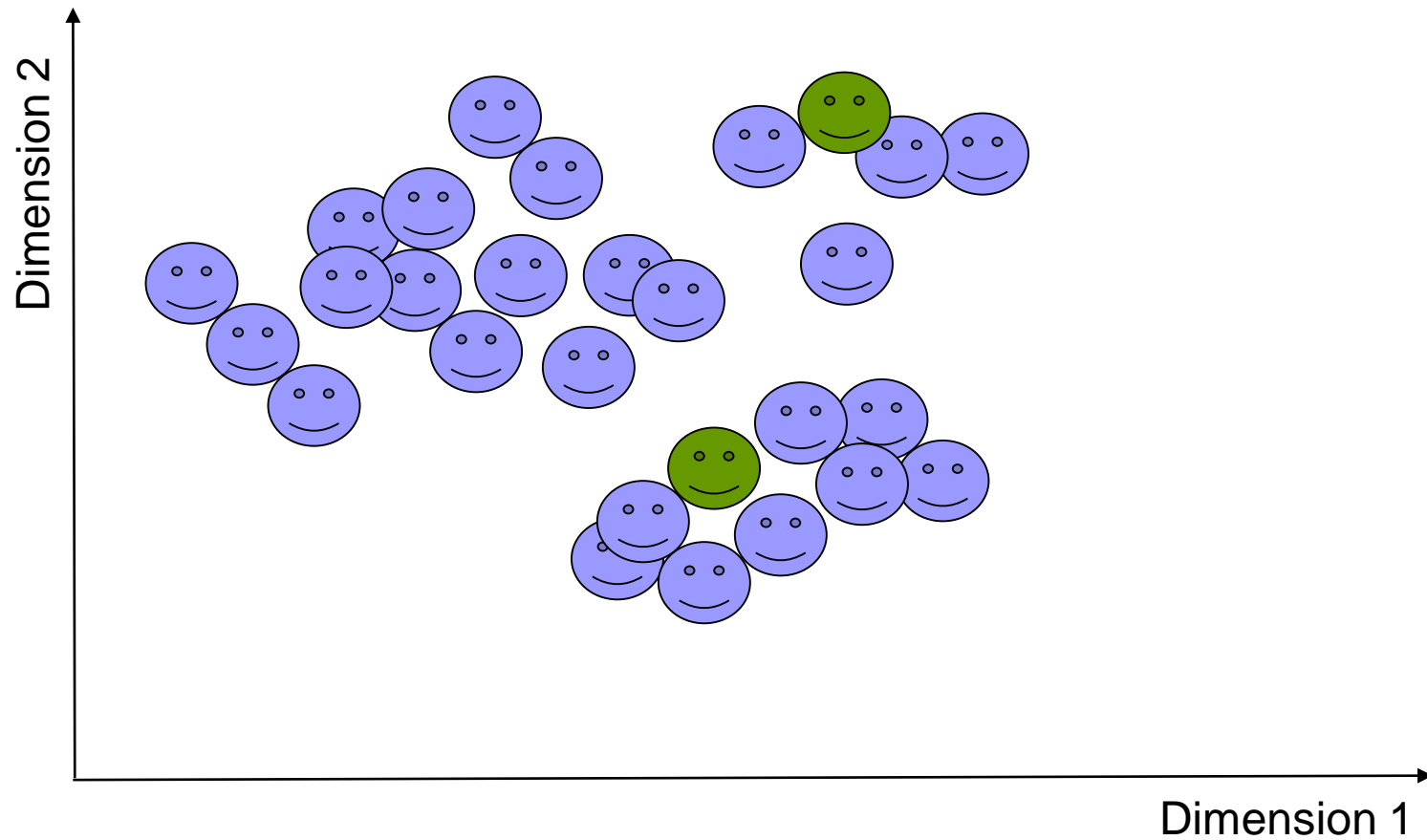
Segmentation



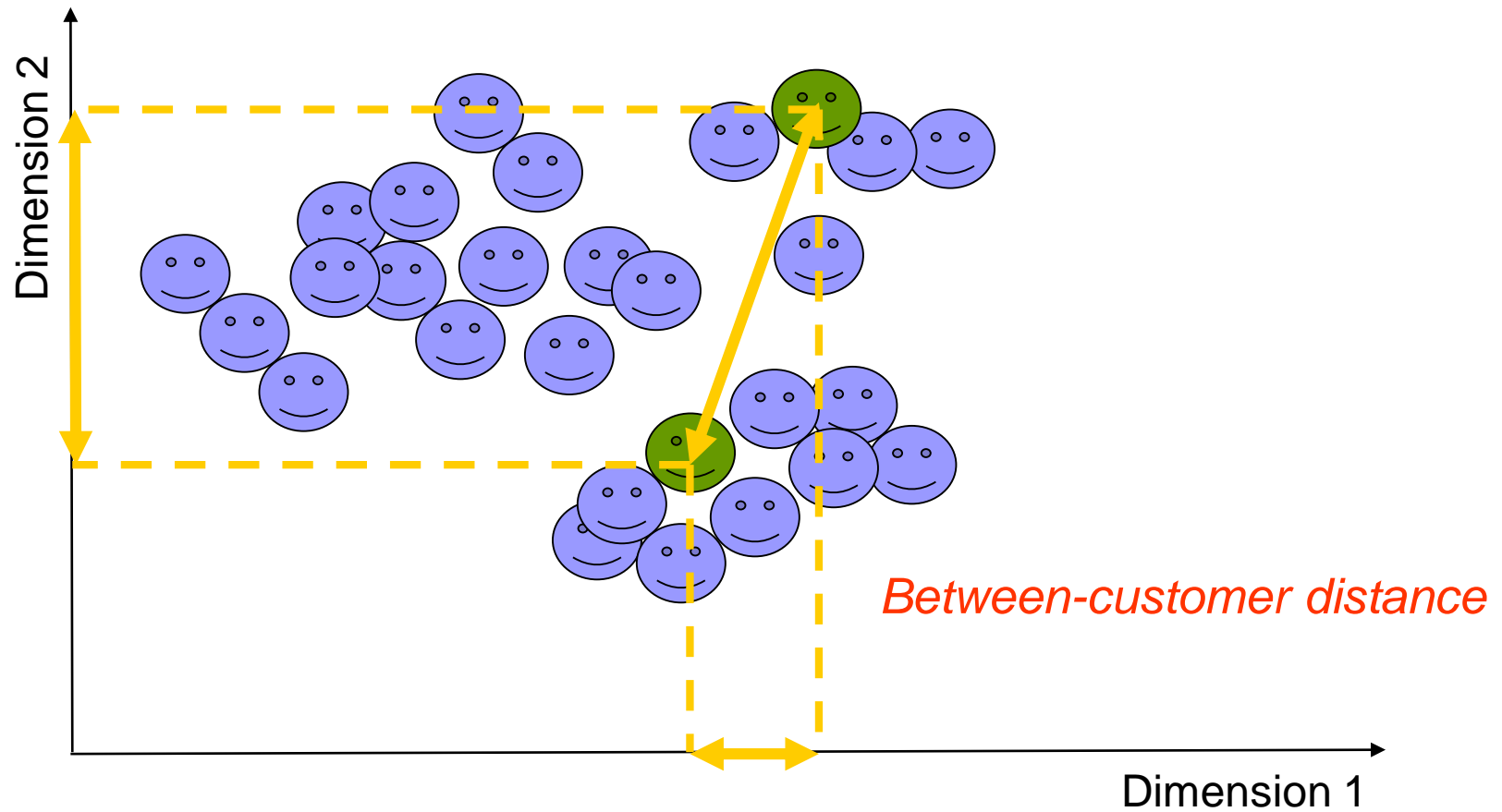
Segmentation



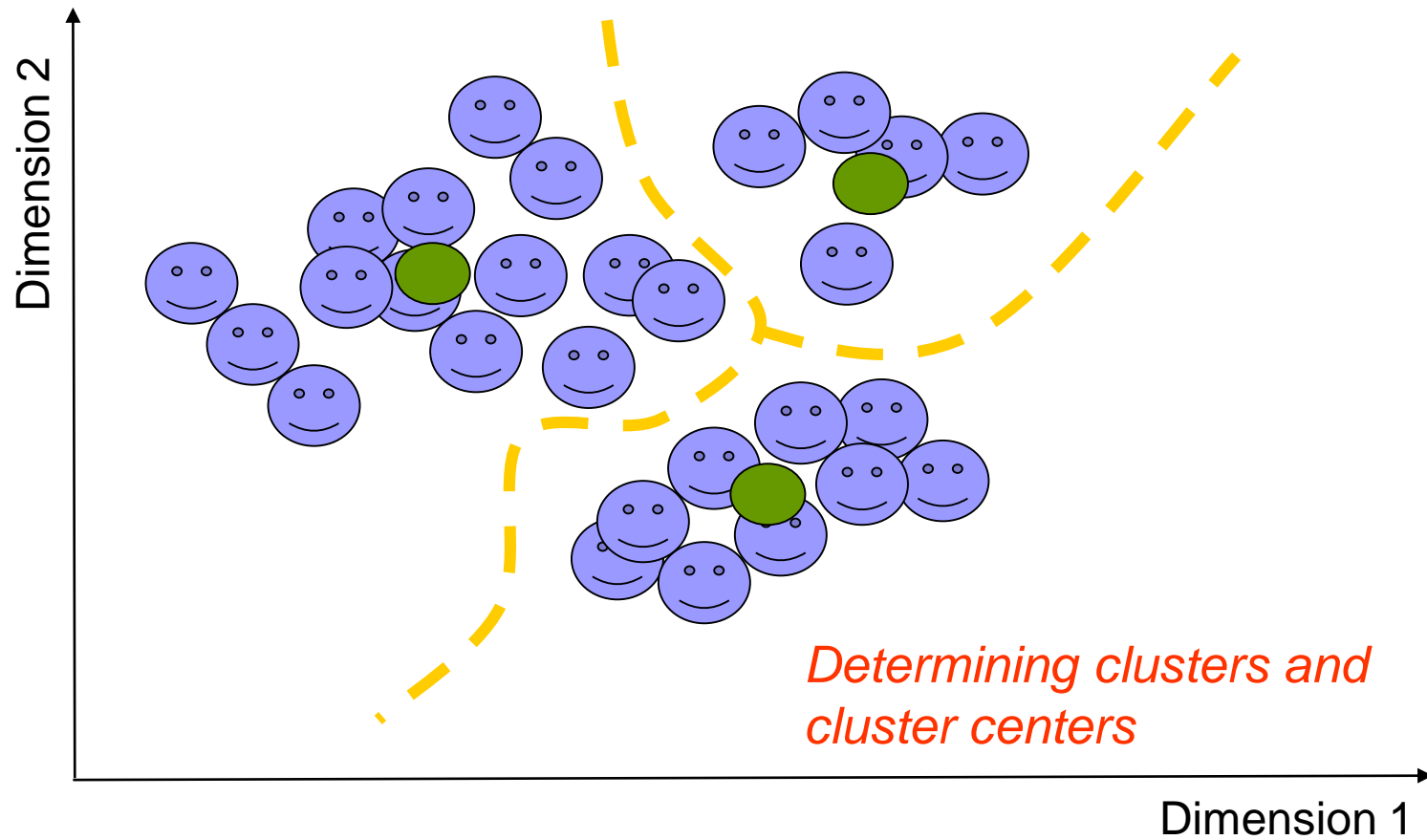
Segmentation



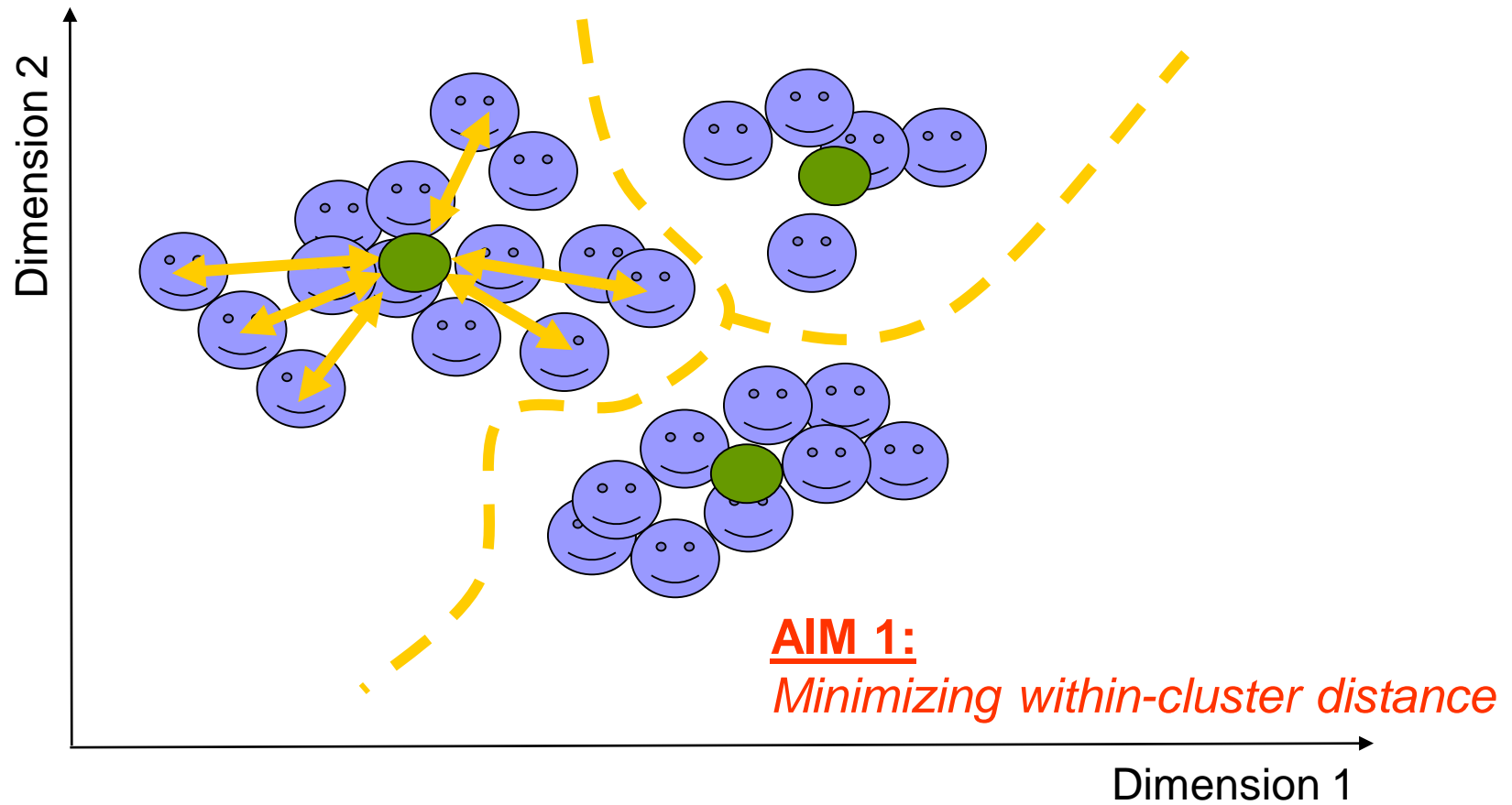
Segmentation



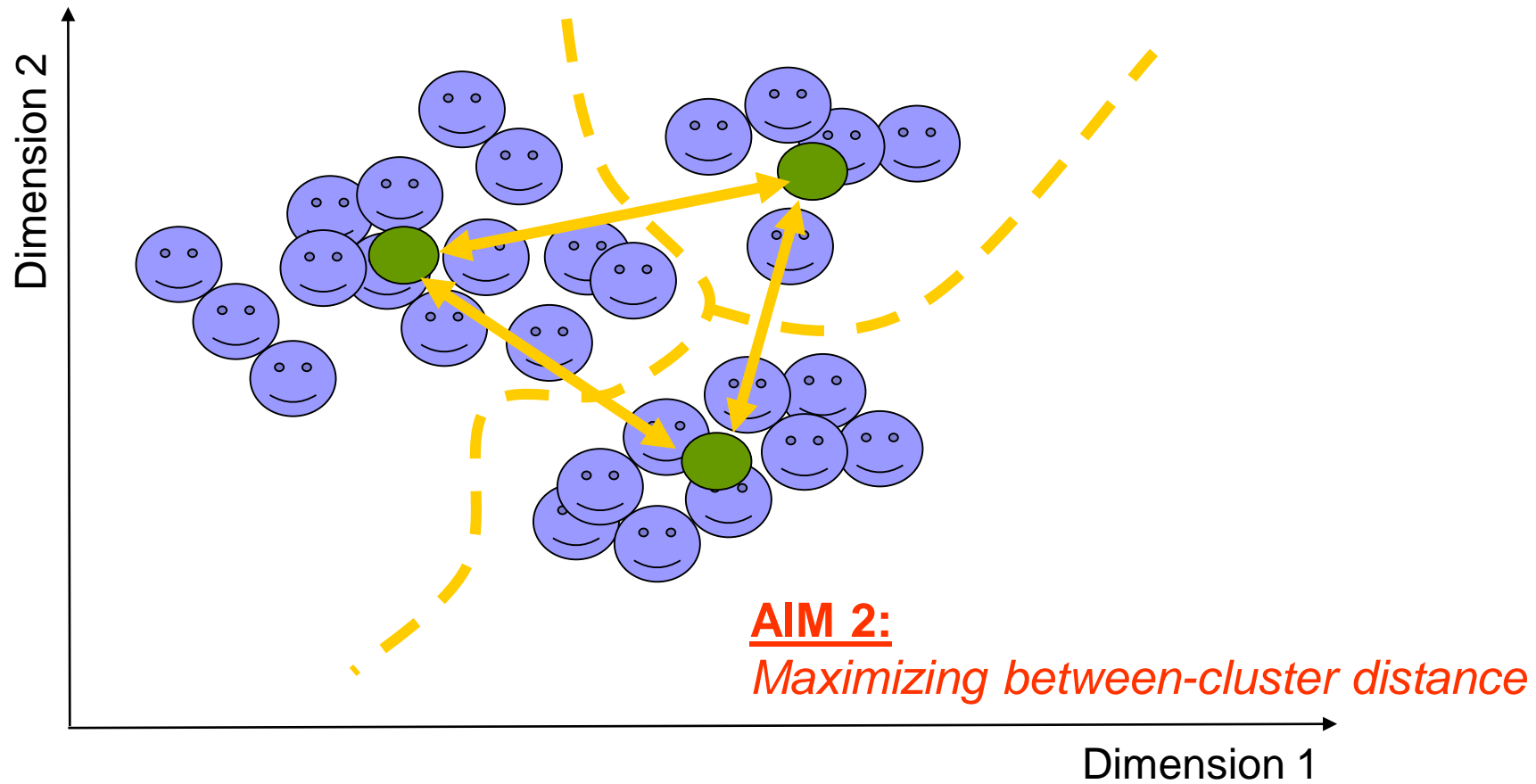
Segmentation



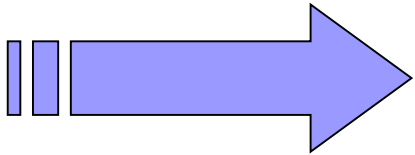
Segmentation



Segmentation

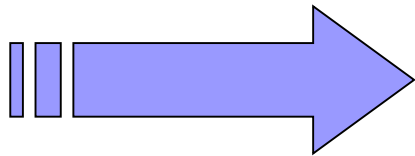


Segmentation



Which refinement level to consider? **Segmentation level**

- ☐ Macro: country segments
- ☐ Micro: consumer segments



Which distance(s) to consider? **Segment basis**

- ☐ General basis
- ☐ Domain-specific basis



Which iterative method to use to find the segment?
Segmentation method

Segmentation Level

■ Macro: country segments

- Clusters of (multiple or single) countries that follow national borders
- Multi-domestic strategy: each country is a separate segment
- Distinct marketing mix strategies and positioning at the national level
- Condition: high within-country homogeneity
- Advantages:
 - Accessible segments
 - Cost effective through centralization of activities
 - Easy to implement, no coordination required

■ Micro: consumer segments

- Clusters of consumers that can cross/transcend national borders, or that exist within a particular country
- Pan-regional or global strategies
- Condition: low within-country homogeneity
- Advantages:
 - Global integration
 - Economies of scale and scope
 - BUT less cost efficient from a logistics perspective
 - Effectiveness from a proper adaptation

Or both macro and micro together, in a two-stage framework (Bijmolt et al., 2004)

Bijmolt et al. (2004)

Table 1
Descriptive statistics for the international sample

Country	Sample size	Average weight	Ownership of financial product (sample proportion)							
			Current account	Savings account	Credit card	Other bank card	Cheque book	Overdraft facility	Mortgage	Loan
Austria	1093	0.34	71.5	82.3	33.7	61.0	21.6	41.4	17.7	21.8
Belgium	1031	0.43	85.2	85.9	39.2	74.0	34.2	33.3	25.9	21.1
Denmark	1001	0.22	78.5	63.2	48.2	60.8	33.9	55.2	51.8	36.3
Finland	1023	0.21	87.5	50.2	31.5	84.7	0.7	16.0	22.0	26.5
France	1002	2.42	87.8	69.8	57.7	31.0	87.9	50.6	18.6	26.6
Germany East	1024	0.67	91.8	76.1	22.5	81.2	41.5	35.7	13.0	23.0
Germany West	1023	2.87	89.5	84.2	29.9	78.0	40.9	39.8	16.8	16.5
Great Britain	1041	2.37	75.2	77.1	52.3	58.7	76.4	29.3	37.1	20.1
Greece	1001	0.45	11.0	79.7	18.7	25.9	6.3	3.4	14.6	11.6
Ireland	1002	0.15	51.4	71.7	32.3	40.3	45.1	16.2	25.7	26.6
Italy	998	2.52	65.6	19.4	36.3	51.3	62.7	10.0	12.3	12.8
Luxembourg	609	0.03	84.7	81.8	65.0	69.6	49.6	50.9	29.7	30.0
Netherlands	1047	0.65	89.5	82.5	37.2	94.3	26.6	63.6	33.6	14.9
Northern Ireland	305	0.22	62.3	59.7	42.3	41.3	62.3	21.3	35.7	14.1
Portugal	1000	0.42	70.0	44.2	33.0	33.0	60.8	2.5	13.0	8.0
Spain	1000	1.70	61.6	67.2	52.1	33.2	17.4	8.2	19.4	17.2
Sweden	1000	0.37	76.1	77.5	57.0	59.4	19.7	19.0	34.7	25.8

Country Segments

Table 3
Model results: country segments

Country segment	Relative size	Posterior probabilities of country-segment membership $\{P(Z_j=t Y_j)\}^a$	
		Country	Probability
1	0.256	Belgium, Germany (East), Germany (West), The Netherlands	1.000
		Luxembourg	0.811
2	0.260	Austria, Denmark, Finland, Sweden	1.000
		Luxembourg	0.189
3	0.175	Great Britain, Ireland, Northern Ireland	1.000
4	0.119	Italy, Portugal	1.000
5	0.064	Spain	1.000
6	0.064	Greece	1.000
7	0.064	France	1.000

^a All unlisted posterior probabilities <0.001.

Consumer Segments

Consumer Profile

Table 4

Model results: consumer segments

Consumer segments		1	2	3	4	5	6	7	8	9	10	11	12	13	14
<i>Financial products:</i>		Product ownership probabilities $\{P(Y_{ijk}=1 X_{ij}=s)\}$													
Current account		0.049	0.051	0.325	1.000	0.999	0.920	0.981	0.999	1.000	0.881	1.000	0.989	0.984	1.000
Savings account		0.387	0.850	0.606	0.135	0.653	0.605	0.908	0.905	0.150	0.705	0.780	0.728	0.925	0.857
Credit card		0.000	0.087	0.000	0.291	0.836	0.232	0.159	0.620	0.760	0.806	0.957	0.494	0.506	0.833
Other bank card		0.002	0.192	0.002	0.615	0.323	0.795	0.849	0.525	0.895	0.685	0.000	0.994	0.946	0.871
Cheque book		0.085	0.005	0.859	0.787	0.131	0.018	0.292	0.997	0.947	0.303	0.975	0.999	0.504	1.000
Overdraft		0.000	0.034	0.308	0.016	0.038	0.423	0.191	0.111	0.221	0.293	0.654	0.678	0.679	0.603
Mortgage		0.008	0.107	0.249	0.013	0.142	0.060	0.001	0.033	0.285	0.601	0.221	0.055	0.546	0.893
Loan		0.022	0.081	0.211	0.013	0.143	0.313	0.000	0.024	0.265	0.468	0.334	0.329	0.294	0.392
<i>Country segments</i>		Relative sizes of consumer segments													
1	Cross-national potential	0.065	0.030	0.013	0.000	0.004	0.167	0.388	0.027	0.000	0.004	0.003	0.078	0.217	0.005
2		0.050	0.166	0.040	0.004	0.057	0.263	0.106	0.009	0.000	0.184	0.000	0.007	0.105	0.009
3		0.149	0.105	0.091	0.026	0.006	0.002	0.035	0.256	0.000	0.022	0.004	0.072	0.000	0.231
4		0.367	0.000	0.059	0.285	0.018	0.001	0.000	0.005	0.264	0.000	0.001	0.000	0.000	0.000
5		0.162	0.267	0.005	0.005	0.341	0.000	0.024	0.031	0.005	0.145	0.008	0.000	0.000	0.009
6		0.133	0.786	0.005	0.000	0.000	0.001	0.006	0.018	0.000	0.044	0.000	0.004	0.000	0.001
7		0.063	0.000	0.112	0.065	0.000	0.015	0.021	0.135	0.000	0.000	0.408	0.139	0.000	0.041
		Homogeneity in a segment													

Increased ownership

Cross-national potential

Homogeneity in a segment

Role of Demographics

Table 5
Model results: effects of demographic variables

Consumer segments:	Relative sizes of consumer segments													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<i>Age</i>														
15–29	0.186	0.200	0.018	0.054	0.065	0.115	0.082	0.015	0.028	0.041	0.070	0.057	0.032	0.037
30–59	0.096	0.164	0.049	0.036	0.070	0.071	0.036	0.030	0.067	0.107	0.072	0.050	0.074	0.078
60+	0.143	0.217	0.072	0.074	0.048	0.007	0.130	0.161	0.020	0.022	0.039	0.022	0.033	0.012
<i>Income</i>														
Below median	0.161	0.228	0.058	0.057	0.065	0.094	0.087	0.064	0.016	0.035	0.051	0.044	0.029	0.012
Above median	0.085	0.170	0.041	0.045	0.044	0.045	0.072	0.076	0.059	0.095	0.080	0.046	0.067	0.073
Unknown	0.177	0.182	0.041	0.062	0.073	0.054	0.090	0.066	0.040	0.041	0.051	0.039	0.042	0.042
<i>Marital status</i>														
Living with partner	0.094	0.195	0.051	0.050	0.059	0.060	0.066	0.073	0.044	0.078	0.063	0.040	0.066	0.062
Single	0.188	0.192	0.042	0.060	0.063	0.068	0.100	0.065	0.033	0.037	0.058	0.046	0.027	0.022
<i>Type of community</i>														
Rural area or village	0.140	0.209	0.054	0.050	0.055	0.054	0.083	0.069	0.033	0.062	0.061	0.032	0.050	0.049
Small to large city	0.142	0.178	0.038	0.060	0.067	0.075	0.083	0.069	0.044	0.052	0.060	0.054	0.042	0.036

Link consumer profiles with demographics => OPERATIONALIZATION

Segmentation Bases

- Set of characteristics that is used to assign consumers to segments.
- Requirements:
 - Identifiability: what distinguish them?
 - Substantiality: is the segments' size large enough? What is the size of each segment? how many people belong to each segment?
 - Accessibility: can the segments be reached with promotional and distributional efforts? How to distribute and communicate with each segment? Which media should be used to target each segment?
 - Stability: are the segments stable over time?
 - Actionability: are the segments a good basis for the formulation of effective marketing strategies?
 - Responsiveness: Do the segments respond homogeneously to marketing efforts targeted at them?
 - Equivalence Issues: see Session 7.

Segmentation Bases (II)

■ General bases:

- Independent of the domain in question
- Observable:
 - Geographic: regions (Middle East, Oceania) or trade blocs (EU, NAFTA)
 - Socio-demographic: population size, (median income), age, education, language, infant mortality, life expectancy
 - Economic: level of development, infrastructure, GDP (growth), per capita
- Unobservable:
 - Cultural: Hofstede, Schwartz values
 - Lifestyles: VALS value-attitude-lifestyle (Euromonitor)

■ Domain-specific bases:

- Types:
 - Product diffusion patterns
 - Means-end chains, benefits sought
 - Usage: heavy vs. light
 - Financial product ownership
 - Brand loyalty (e.g. churn study)

A combination of multiple criteria, or a two-stage segmentation, can be used

Ter Hofstede et al. (1999)

■ Question:

- How to adapt the product development and communication strategy to different countries?

■ Goal:

- Find different cross-national segments to which the company can offer a uniform product development and communication strategy

■ How:

- Segment individual-level (micro) data across multiple countries using MEC as segmentation basis

=> *Consumer-Oriented View (not product-oriented view)*

Means-End Chain Segmentation

■ Means-end chains:

- Product attributes are means for consumers to obtain desired ends, namely values, through the benefits yielded by those attributes
- E.g. Diet coke:
Low Calorie → Weight Control → Feel Good & Show others I care about my appearance → Self-Esteem
- Important for
 - Product development, e.g. Coke Zero for men
 - Communication strategy, e.g. Show positive message on appearance

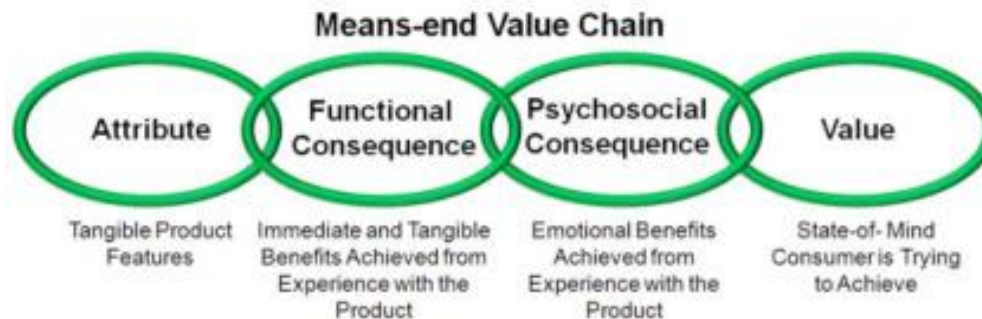
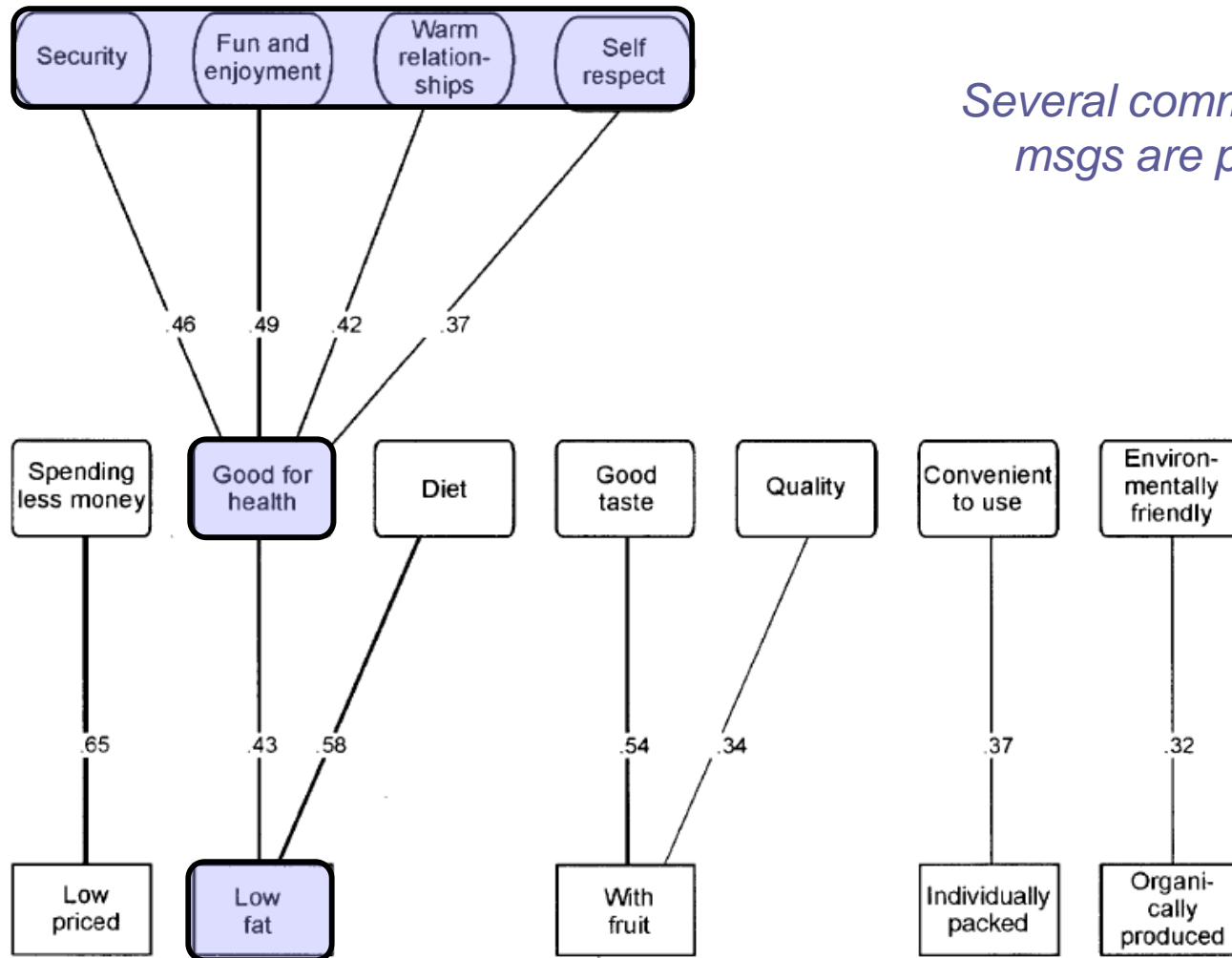


Figure 1
PROBABILISTIC MEANS-END MAP SEGMENT S1



*Several communication
msgs are possible*

Figure 2
PROBABILISTIC MEANS-END MAP SEGMENT S2

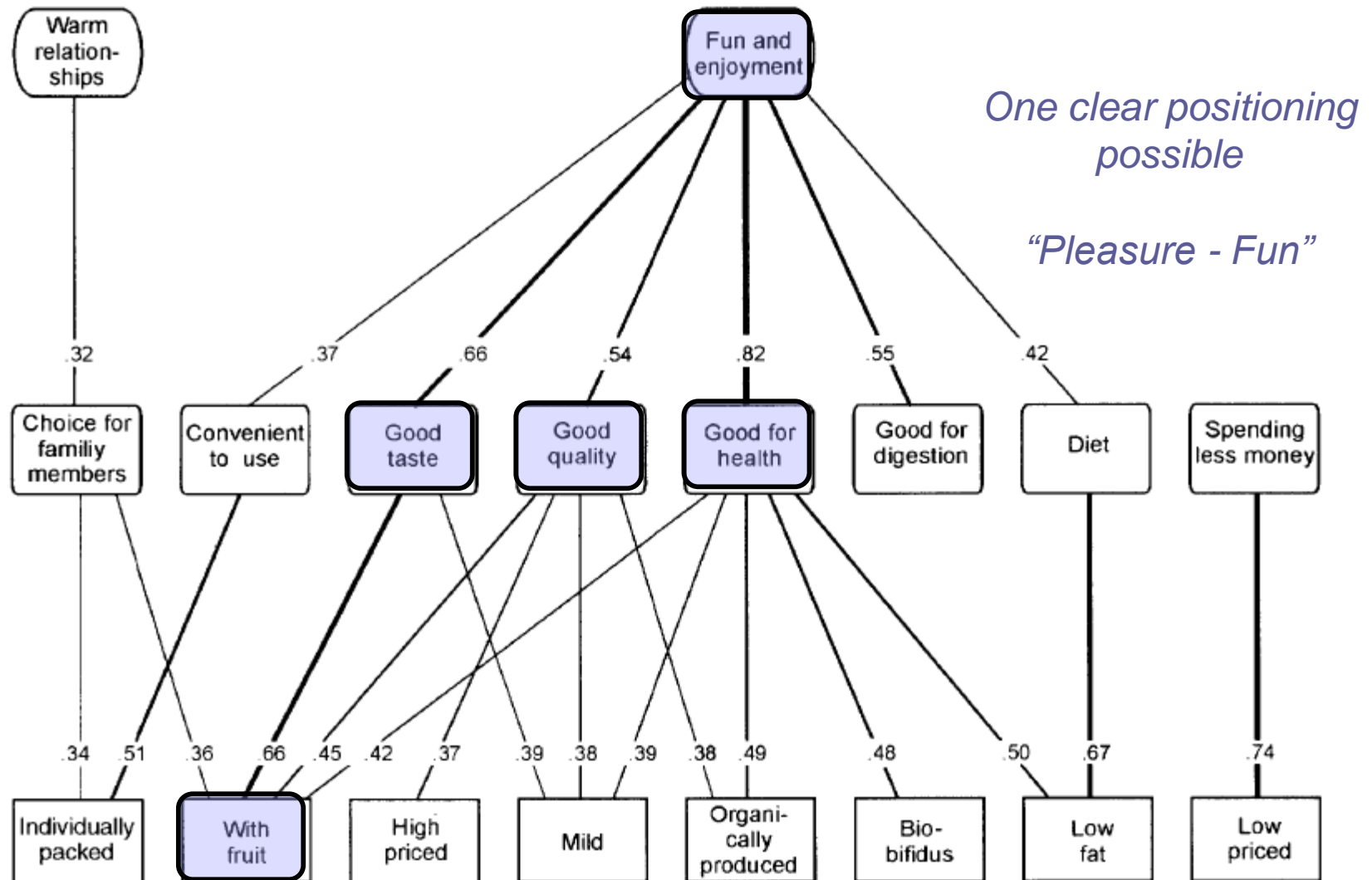
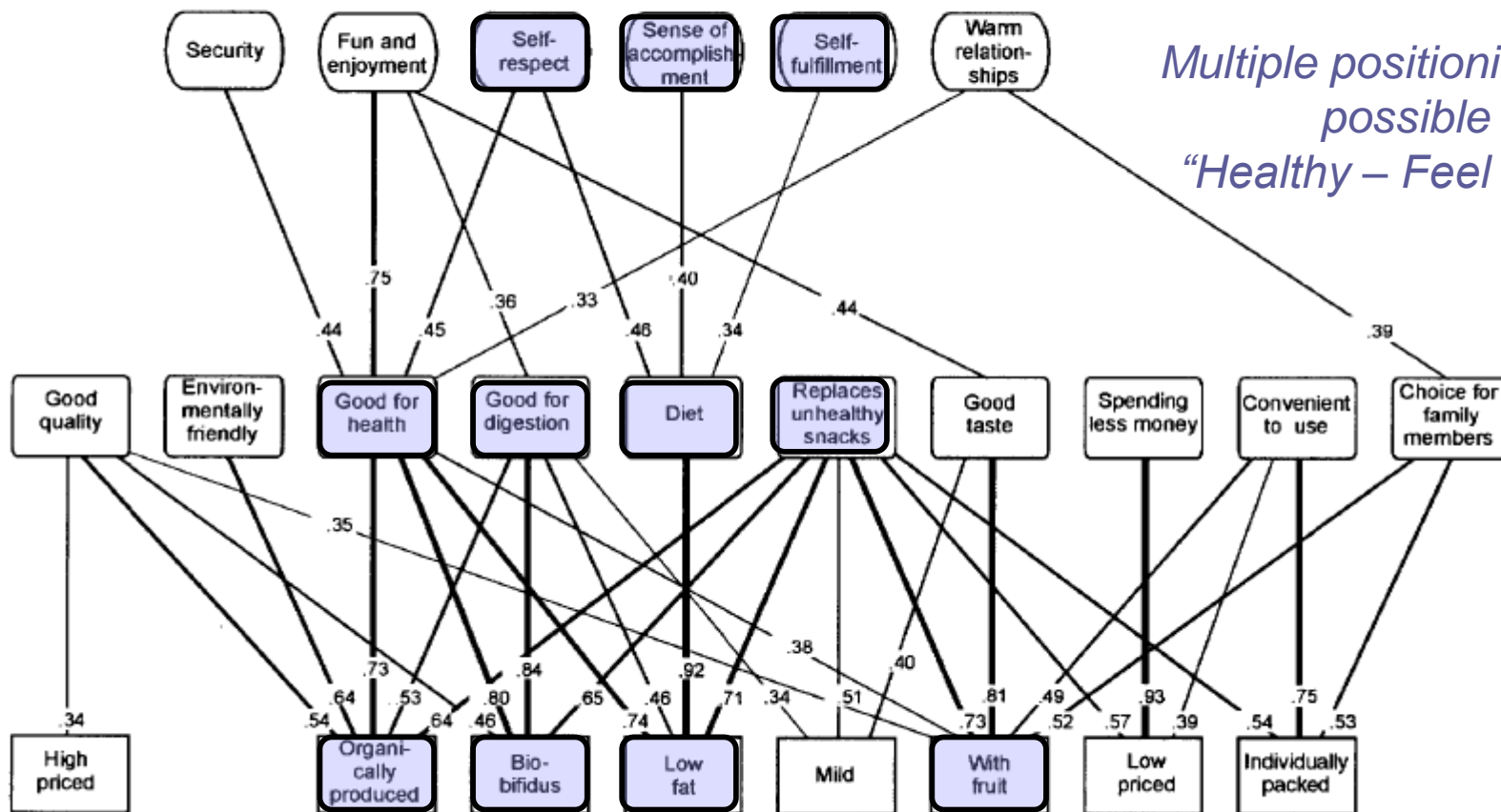


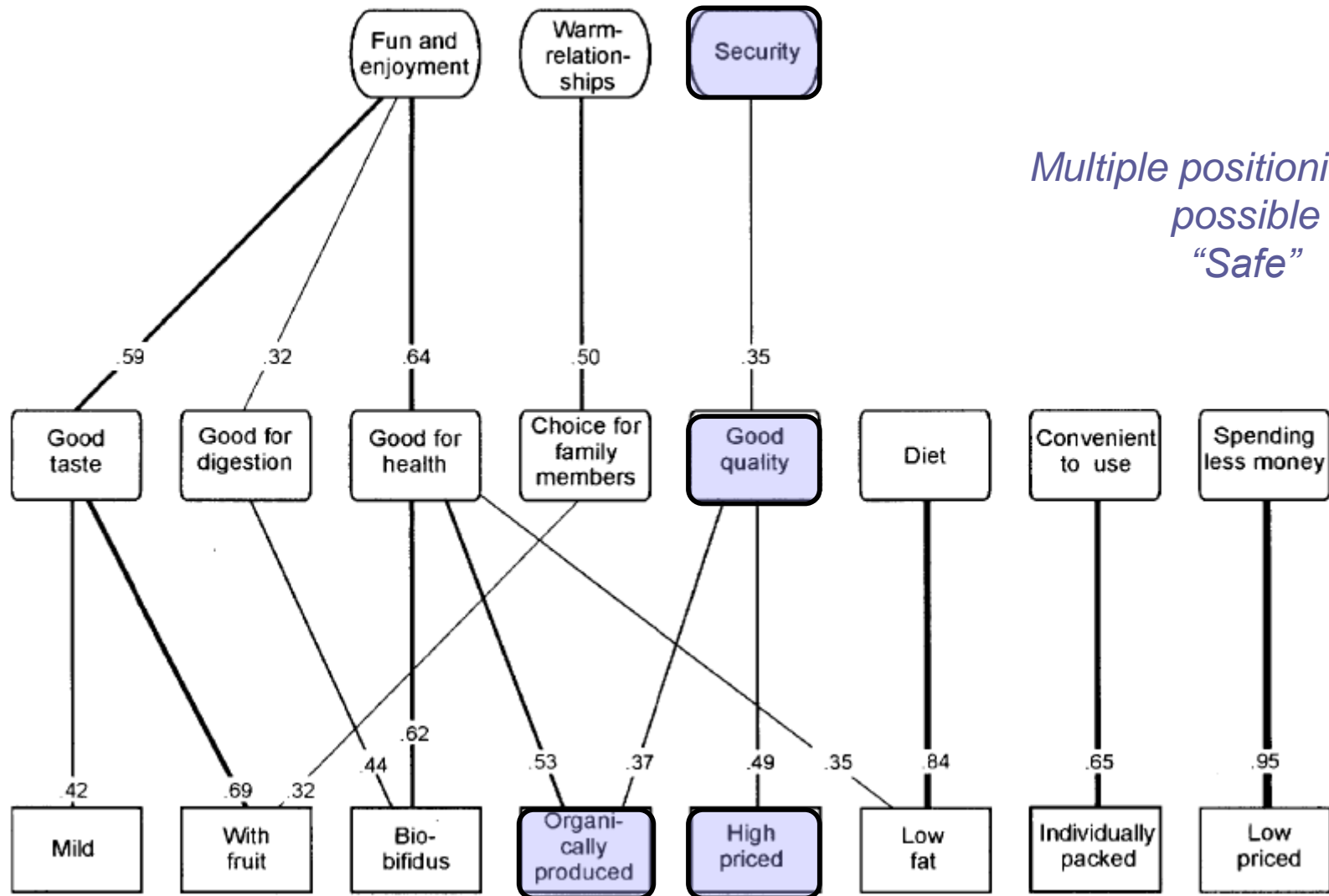
Figure 3
PROBABILISTIC MEANS-END MAP SEGMENT S3



*Multiple positionings are possible
“Healthy – Feel Good”*

Figure 4
PROBABILISTIC MEANS-END MAP SEGMENT S4

*Multiple positionings are possible
"Safe"*



Role of Customer Characteristics

Table 6
SEGMENT PROFILES

Dependent Variable	R ^a	Segment ^b			
		S1	S2	S3	S4
<i>Sociodemographics</i>					
Age	.114	+	+	-	-
Highest level of education	.148	-	-	+	+
Total household income after tax (in ECU)	.138	-	-	+	+
Size of the place of residence	.110	-			+
<i>Consumption Patterns</i>					
Expenditures on yogurt (in ECU)	.089	-		-	+
Frequency of using yogurt as a snack	.110	-	+	+	
Purchase frequency in convenience stores	.077	+			-
Purchase frequency in specialty stores	.077	+	-		
Purchase frequency in hypermarkets	.118	-	+	-	+
<i>Media Consumption</i>					
Frequency of listening to the radio	.105	+		+	-
Frequency of reading daily newspaper	.114		+	+	-
Frequency of watching serials	.152	+			-
Frequency of watching entertainment programs	.184	+			-
Frequency of watching movies	.084			-	+
<i>Personality and Attitudes</i>					
Deal proneness	.122	-	+	+	
Consumer innovativeness	.145		-	+	
Consumer ethnocentrism	.145	+	+	-	
Involvement with yogurt	.148	-	+		+
Overall attitude toward yogurt	.122	-	+	+	

Evaluation of the Segmentation Bases

Bases	Criteria					
	Identifiability	Substantialilty	Accessibility	Stability	Actionability	Responsiveness
General observable	++	++	+	++	-	-
General unobservable						
Values	+	+	-	++	-	+/-
Lifestyle	-	+	+/-	-	+/-	+/-
Domain-specific	+/-	+	-	+/-	++	++

Short Quiz...

General of domain specific?

Country or consumer segments?

■ Segmentation bases:

- ☐ Survey on food habits for 500 consumers across 3 regions
- ☐ Hofstede's cultural values for 10 countries
- ☐ National sales over 6 years of 5 consumer durables in 5 countries
- ☐ Means-end chain survey based on 450 consumers on yogurt consumption in 4 countries
- ☐ Consumer confidence Indicators in the European Union
- ☐ Sensory attributes of flavored soda for 1000 consumers across the US
- ☐ Brand loyalty ratings on bath soap in 15 Dutch supermarkets
- ☐ GDP over 10 years in 35 countries

Segmentation Methods

- Aim:
 - Maximize within-segment homogeneity
 - Maximize cross-segment heterogeneity
- A priori segmentation
- Post-hoc methods
 - Cluster analysis → TODAY
 - Factor analysis
 - Finite mixture model
 - Decision trees analysis

Cluster Analysis

Data file

	X1	X2	...	Xp
Obs. 1				
Obs. 2				
Obs. 3				
...				
Obs. i				
...				
Obs. n				

Cluster 1

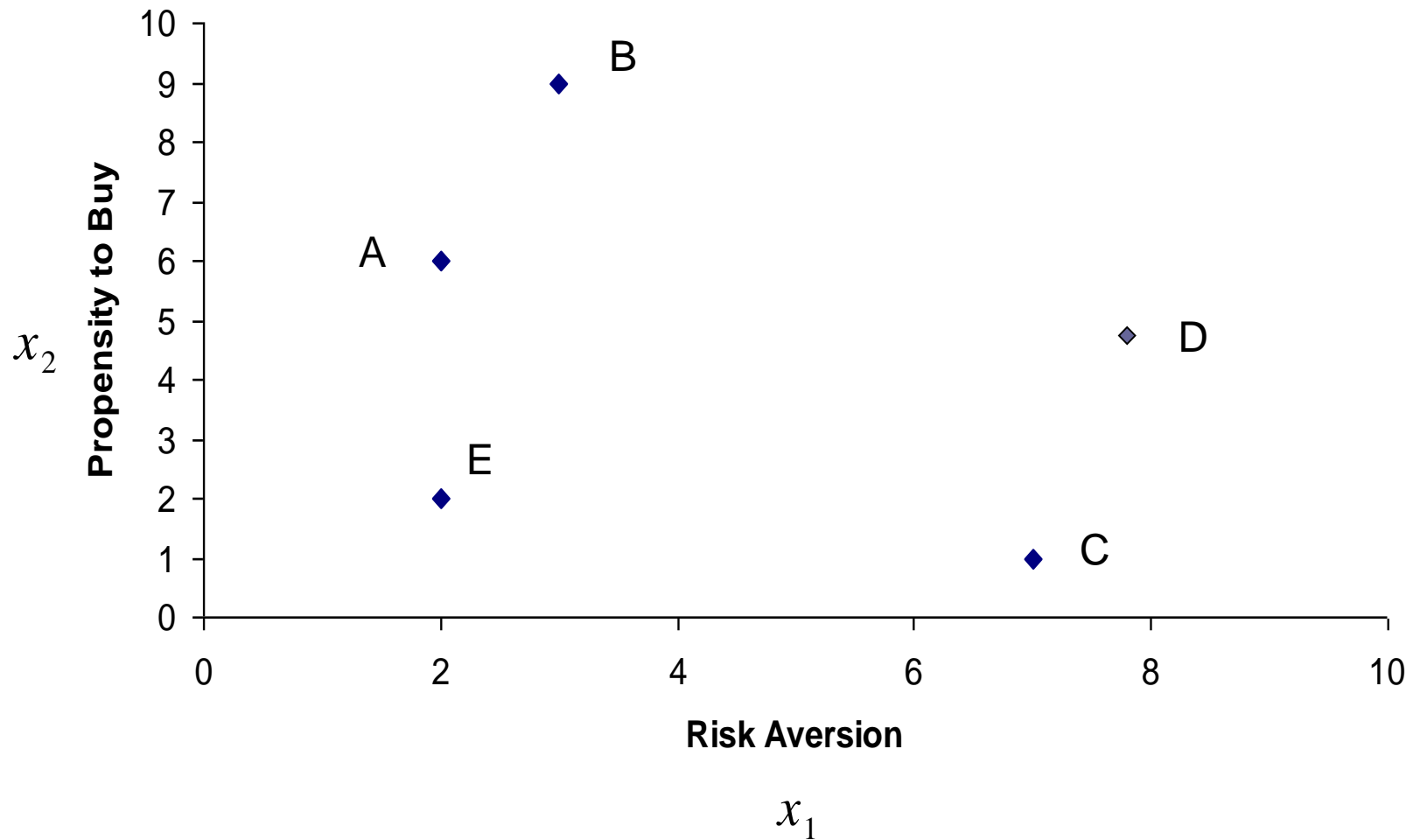
Cluster 2

Example

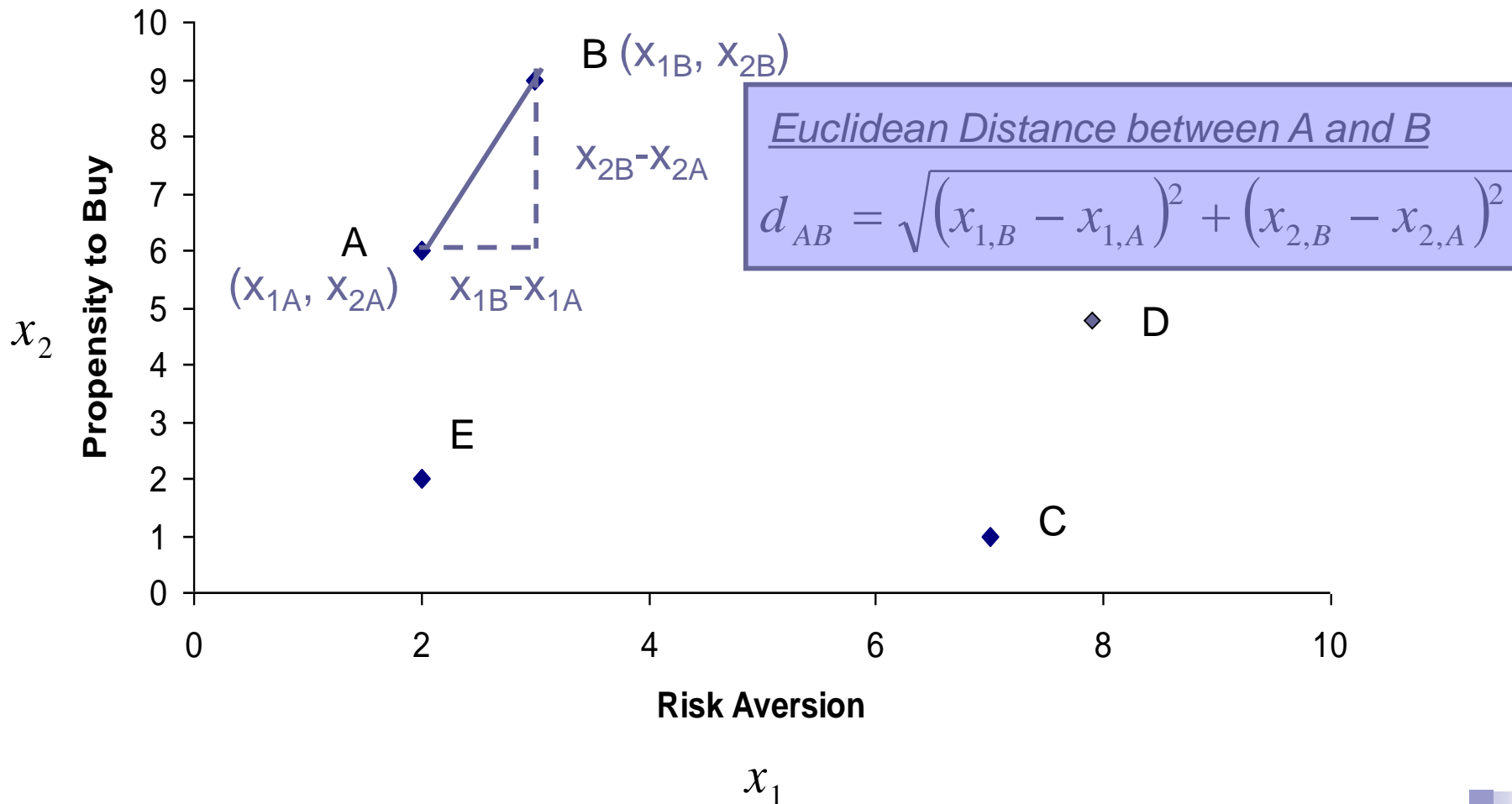
- Study of consumers' risk aversion and propensity to buy a high-tech product

Consumer	x_1 Risk aversion (from 1-high to 10-low)	x_2 Propensity to buy (from 1-low to 10-high)
A	2	6
B	3	9
C	7	1
D	8	5
E	2	2

Example: Visual Representation



Example: Distances Computation



Example: Distances Computation (II)

- Study of consumers' risk aversion and propensity to buy a high-tech product

Consumer	x_1	x_2	$d_{AB} = \sqrt{(x_{1,A} - x_{1,B})^2 + (x_{2,A} - x_{2,B})^2}$
A	2	6	$d_{AB} = \sqrt{(3-2)^2 + (9-6)^2} = 3.16$
B	3	9	$d_{BC} = \sqrt{(7-3)^2 + (1-9)^2} = 8.94$
C	7	1	...
D	8	5	...
E	2	2	...

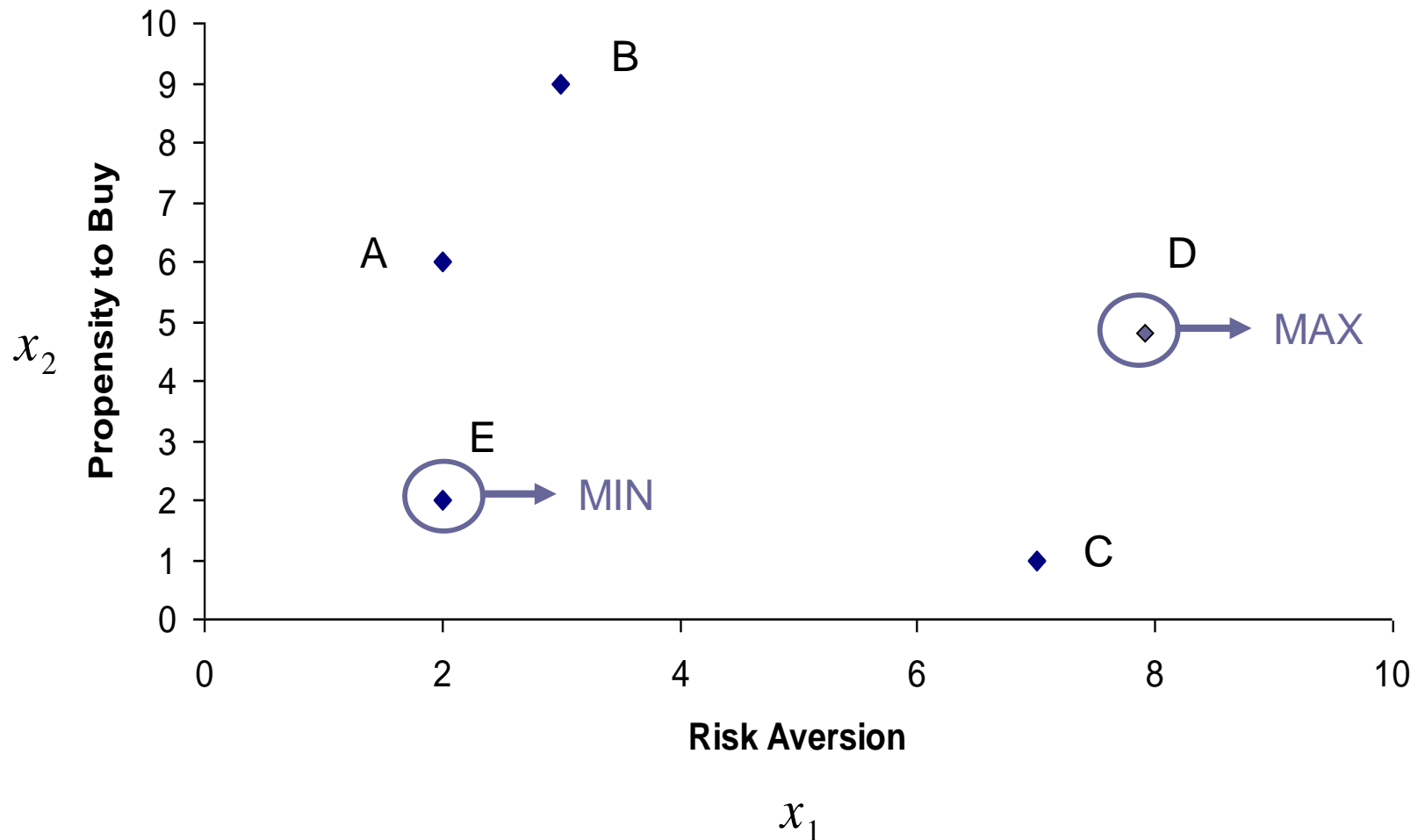
- With n observations, we compute $\frac{n(n-1)}{2}$ distances
 - E.g. here $5 \times 4 / 2 = 10$ distances

Example: Non-Hierarchical Clustering

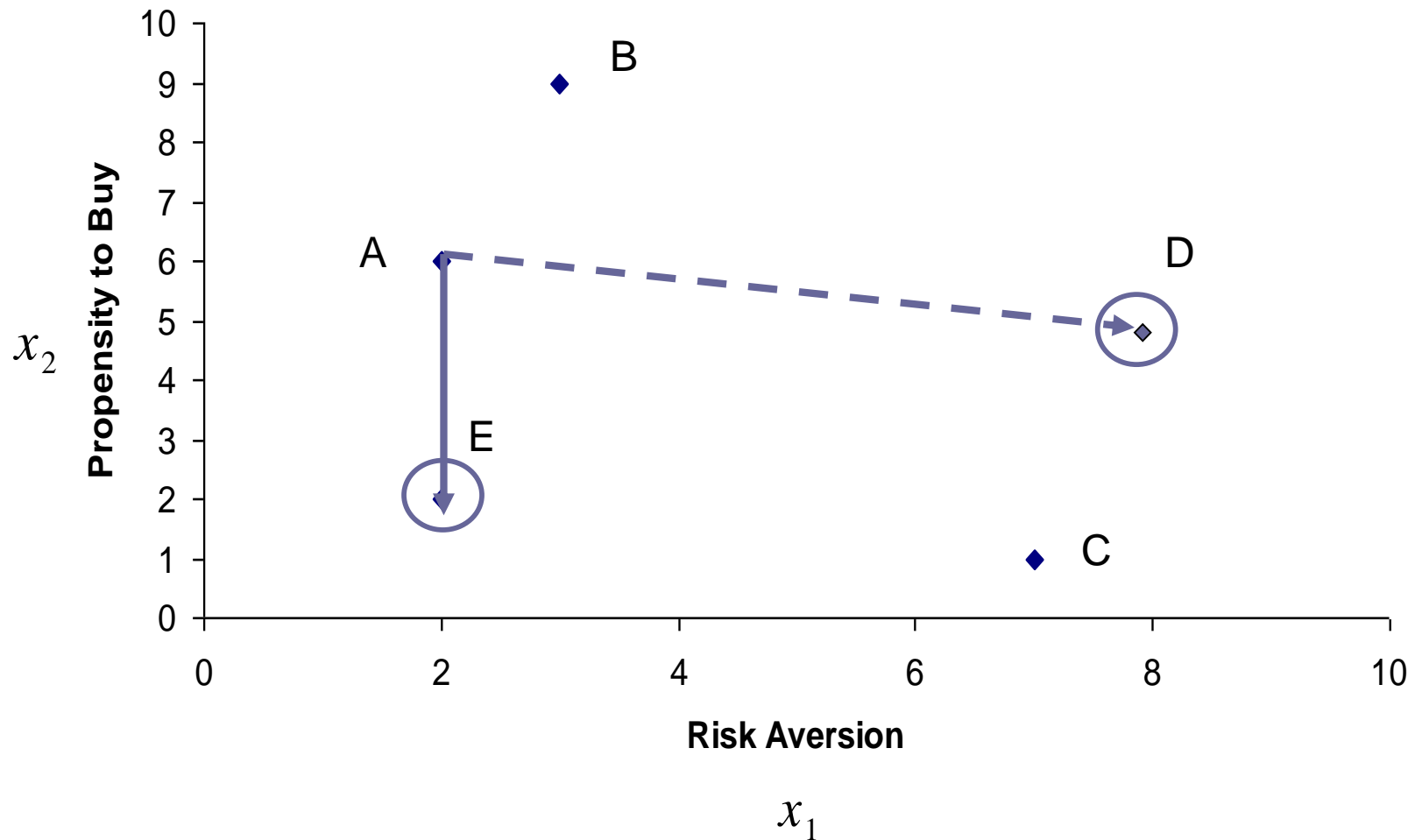
- Known as *k-means clustering*
- Choose a priori an appropriate number of clusters, *e.g. 2 clusters*
- Compute each observation's seed and select the extreme ones

Consumer	x_1	x_2	Seed ($x_1 + x_2$)
A	2	6	8
B	3	9	12
C	7	1	8
D	8	5	13 → MAX
E	2	2	4 → MIN

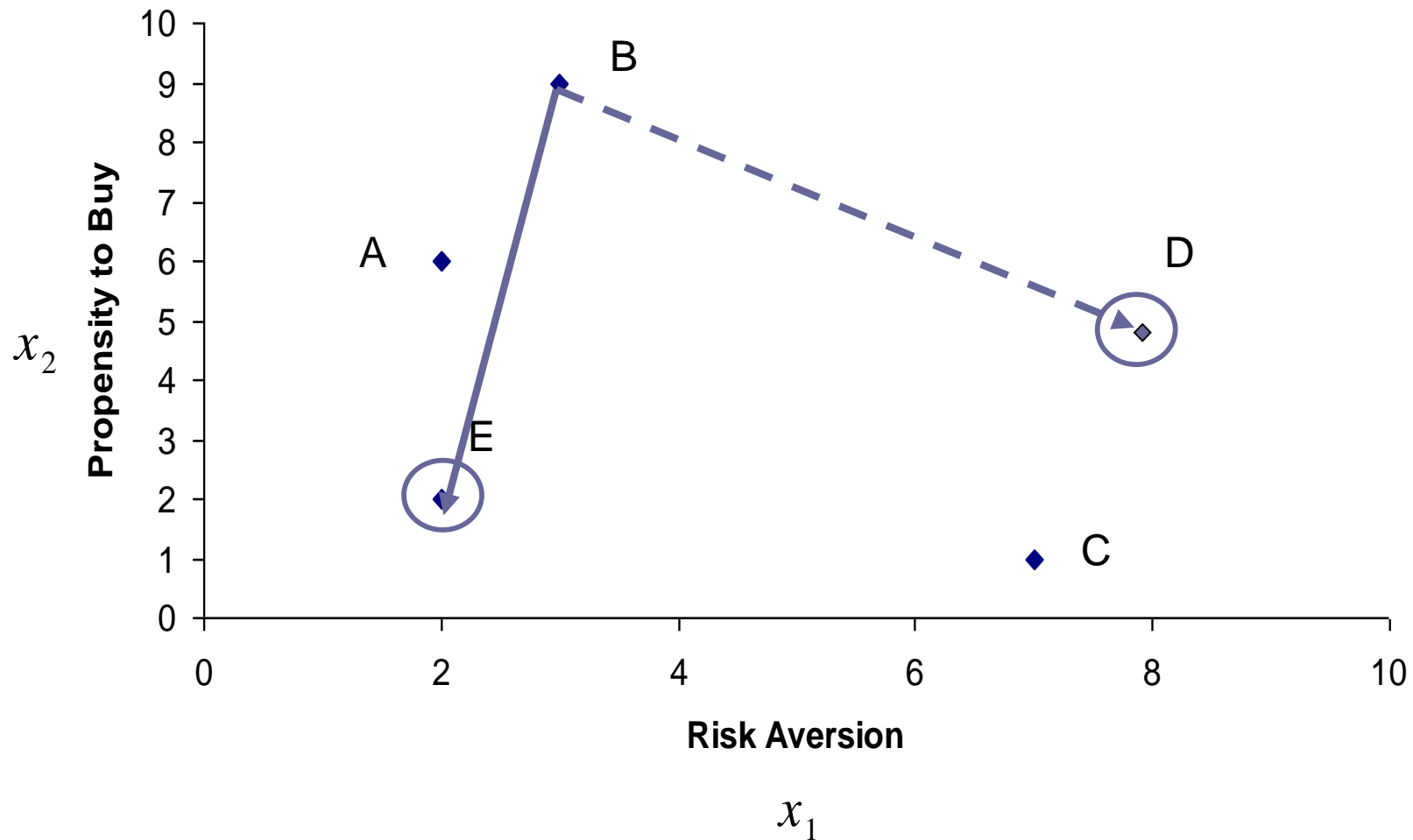
Example: Non-Hierarchical Clustering (II)



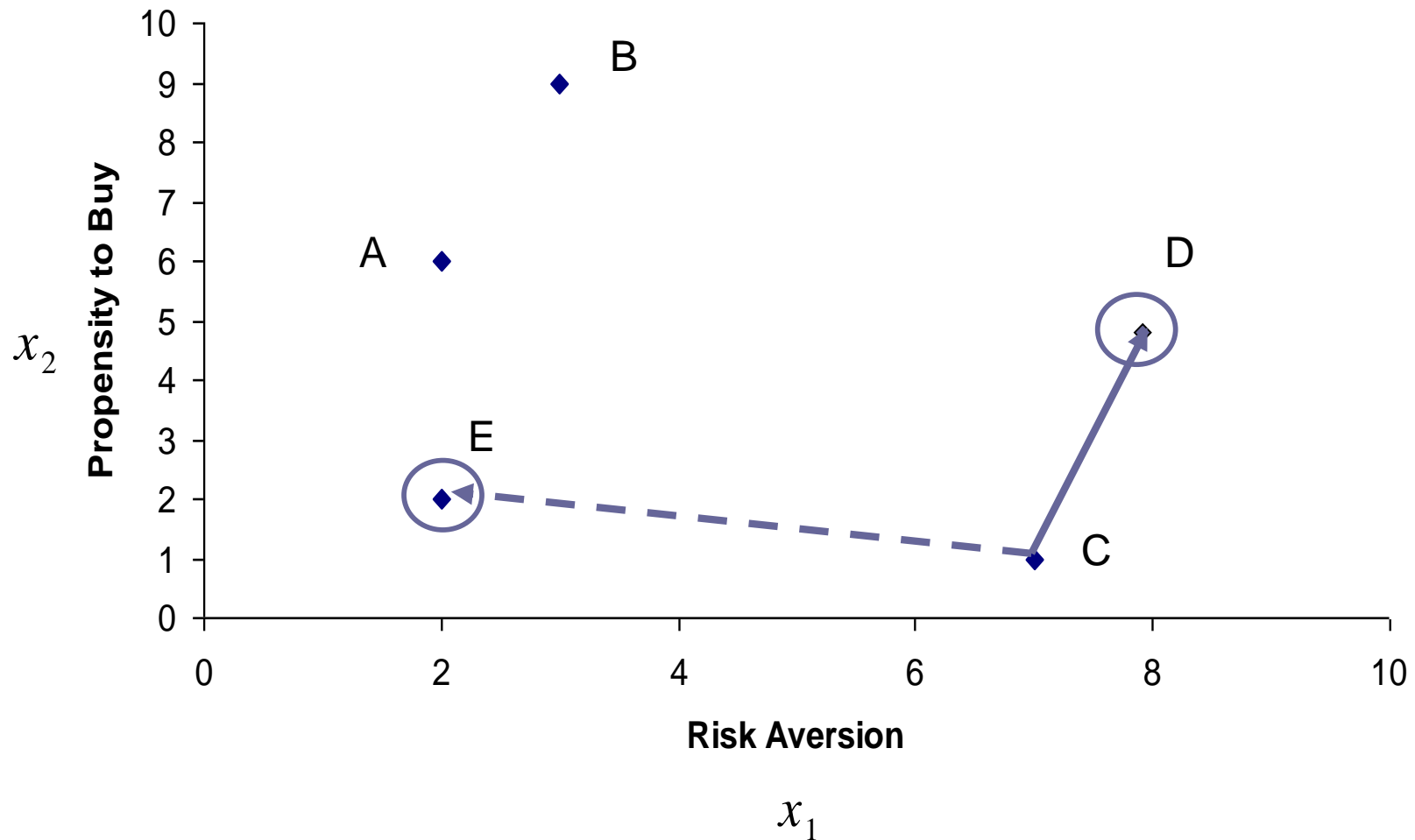
Example: Non-Hierarchical Clustering (III)



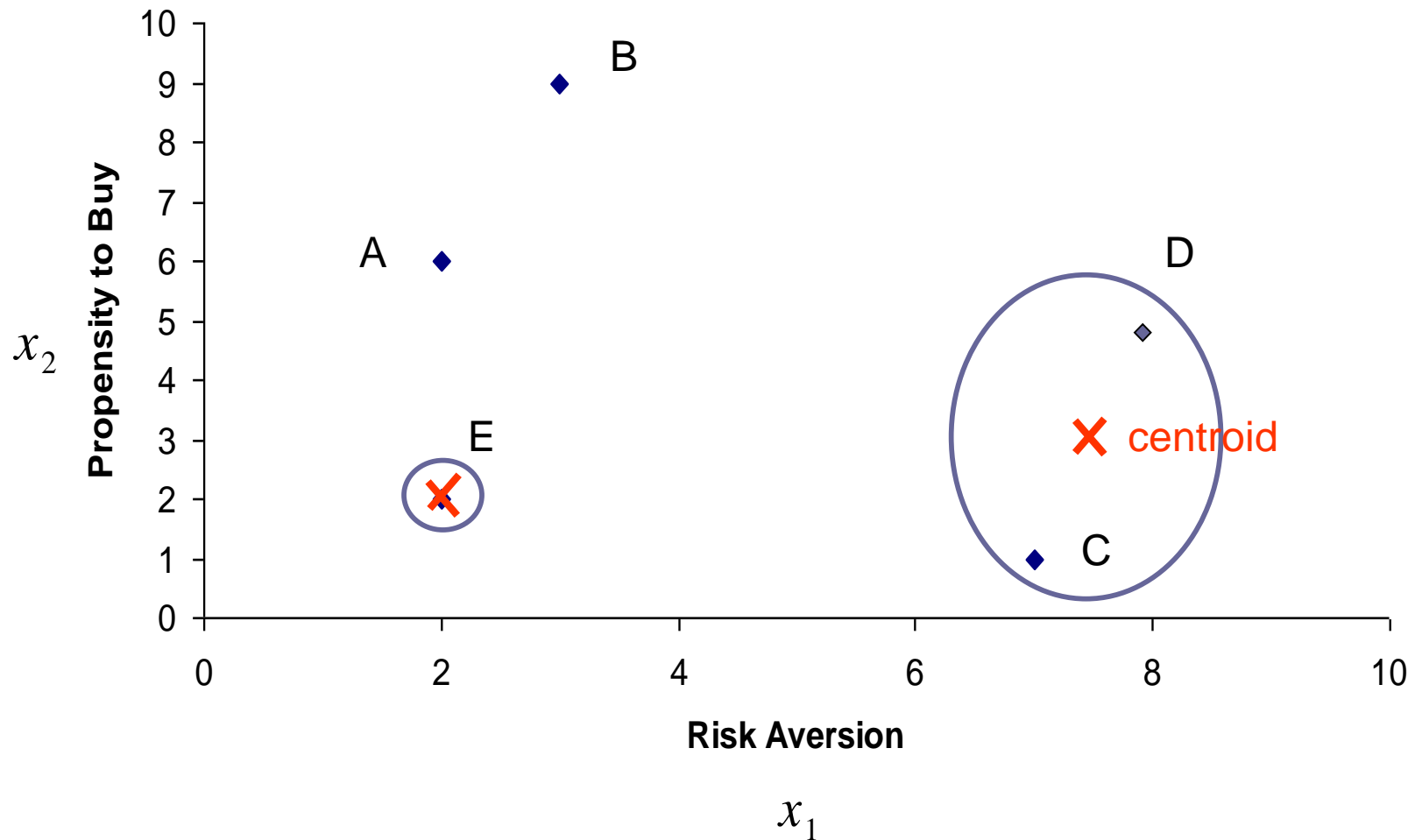
Example: Non-Hierarchical Clustering (IV)



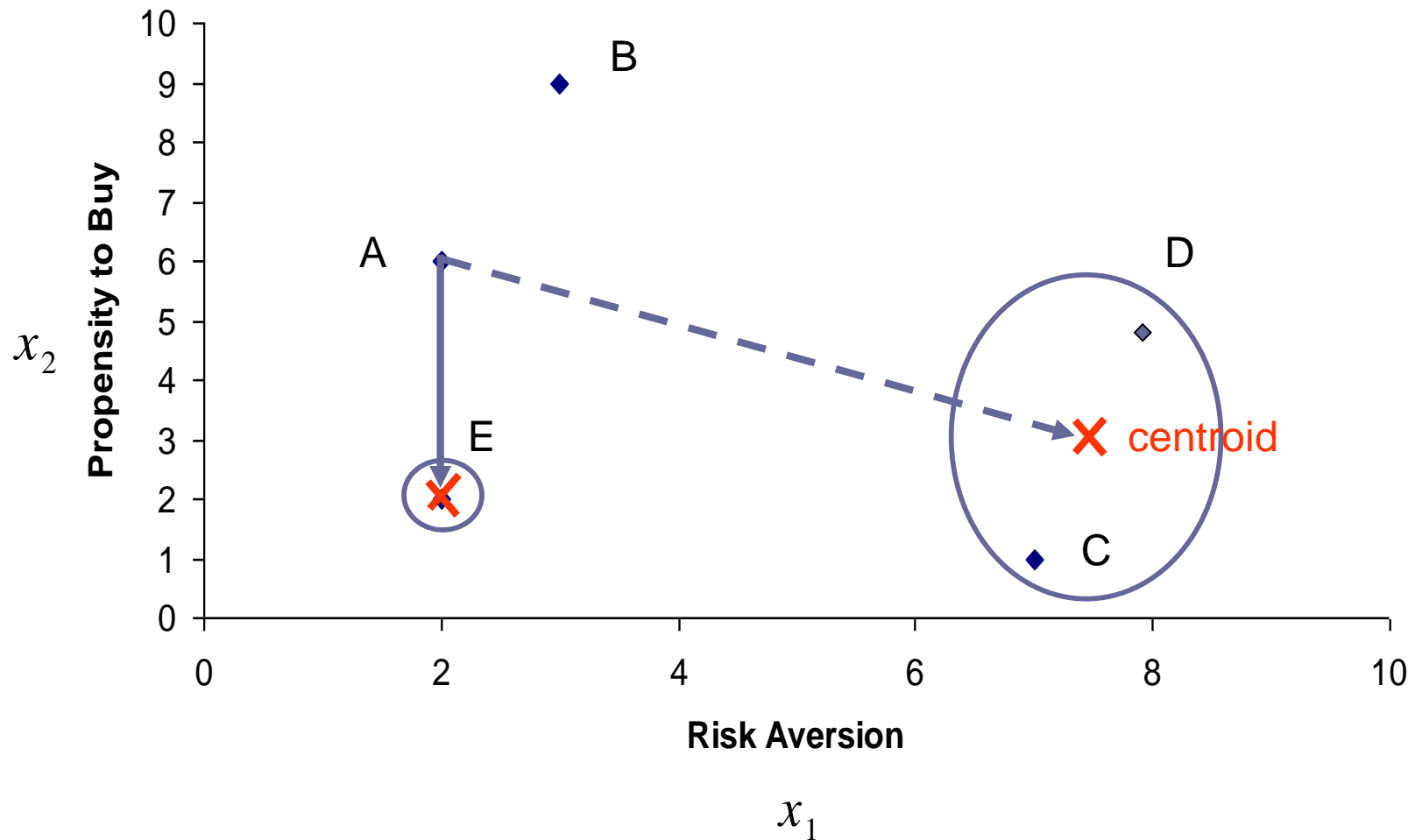
Example: Non-Hierarchical Clustering (V)



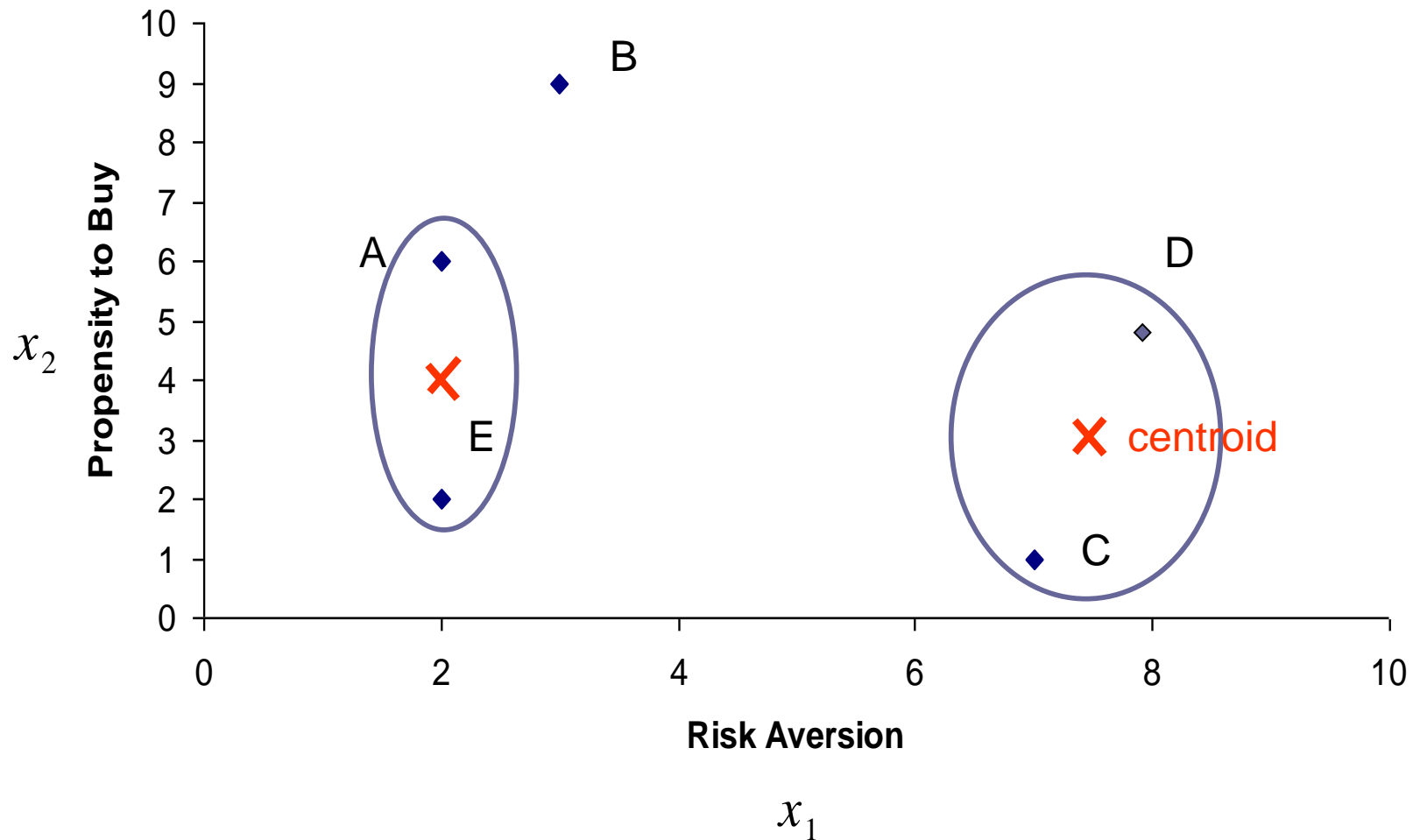
Example: Non-Hierarchical Clustering (V)



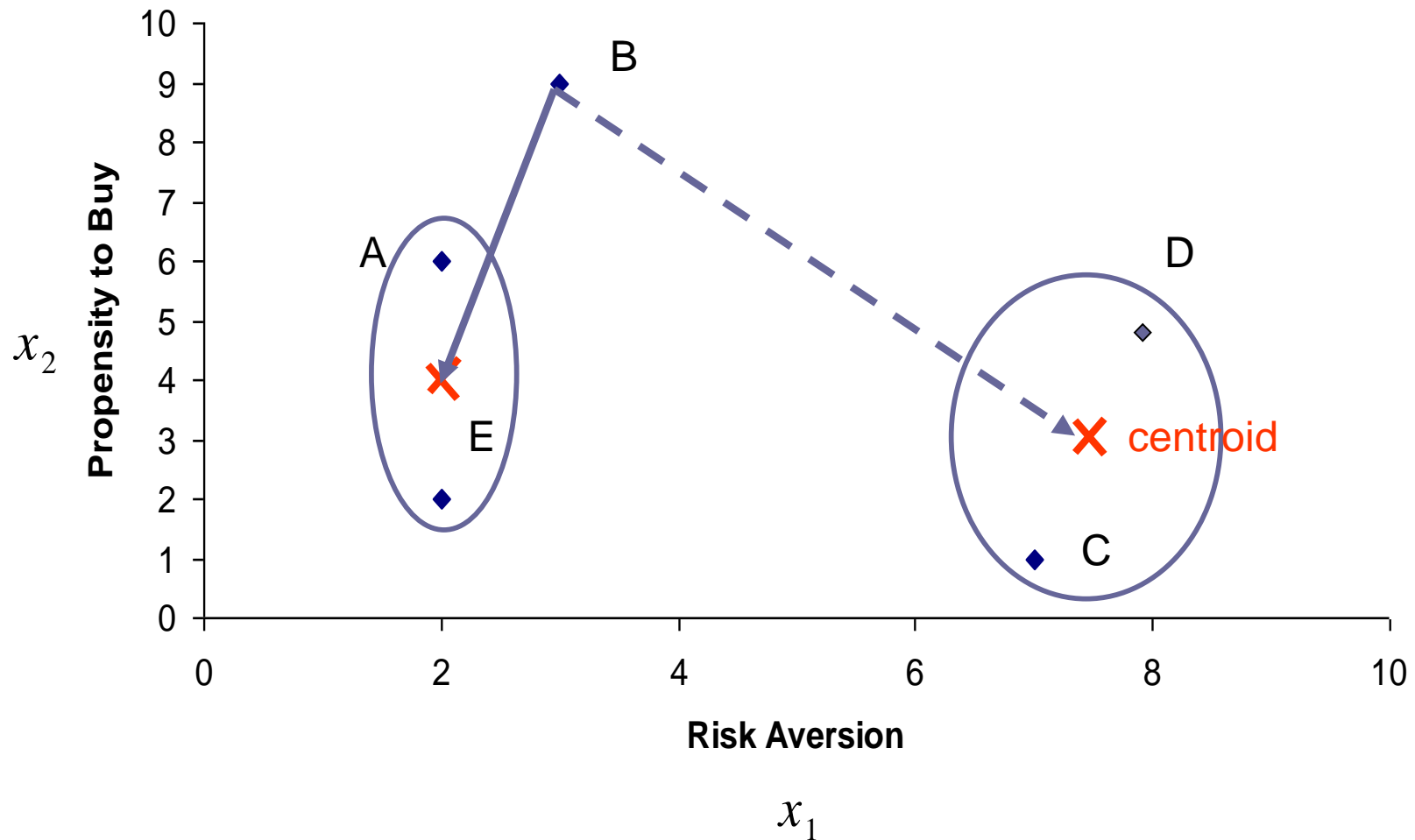
Example: Non-Hierarchical Clustering (V)



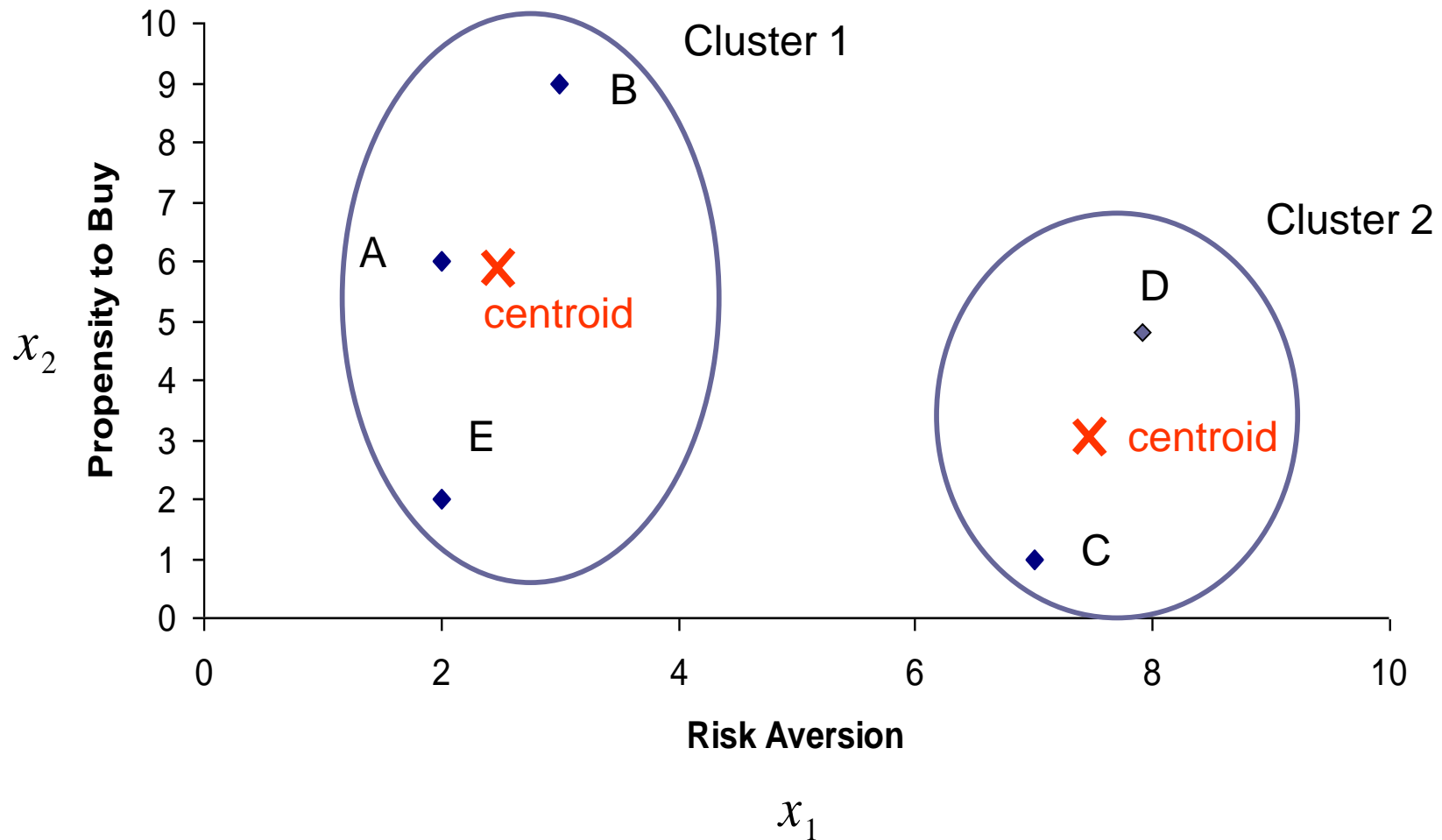
Example: Non-Hierarchical Clustering (V)



Example: Non-Hierarchical Clustering (V)



Example: Non-Hierarchical Clustering (VI)



Targeting Strategies

		SEGMENTATION	
		Universal Cross-national segment(s)	Unique Within-country segment(s)
P O S I T I O N I N G	Standardization Uniform positioning	Ikea	KPMG (Majors vs. SMEs)
	Adaptation Customized positioning	Pampers (happiness vs. convenience)	Rabobank (online vs. traditional)

Uniform Positioning
Universal Segment

US market

AKURUM/ASKOME kitchen

\$5359

What's in the price?
Read more on page 48

EU market



Differentiated Positioning

Different Segments

Belgium

The screenshot shows the Rabobank.be website in French. The header includes the Rabobank logo and the text "Rabobank.be > Bent ú al mee?". Below the header is a navigation menu with links like "Home", "Open een rekening", "Mijn rekeningen", "Sparen en betalen", "Termijnrekening", "Beleggen", "Veiligheid", "Digipass", "Veelgestelde vragen", "E-zine", "Wie zijn wij?", and "In de pers". The main content area features a section titled "Fondsen in de kijker" (Funds in the spotlight) with a sub-header "Fortis I. Fund OSAM Equity World". Below this, it lists "MLIIF Global High Yield Bond EUR Hedged Fund" and "MLIIF World Healthscience Fund", with a note "Geldig tot 29 februari 2008". A button labeled "> Meer" is present. To the right, a section titled "U spaart aan" (You save on) highlights a "4% basisrente +0,01% op jaarbasis" (4% base rate +0.01% per year) with bullet points: "> geen kosten" (no costs), "> permanent hoge rente" (permanent high rate), and "> 70% meer opbrengst" (70% more return). A button labeled "> Reken het zelf na" (Calculate it yourself) is also there. Below this, a section titled "In de pers" (In the press) mentions "Dossier: Rabobank al jaren spaarkampioen. Meer" and "Asociale banken (De Tijd). Meer". At the bottom, there are sections for "De mening van onze klanten:" (The opinion of our customers:) featuring a quote from stefan borremans, "Hottest Funds" (Hottest Funds) with a fire icon and text about fund performance, and "Zijn uw vrienden mee?" (Are your friends with you?) with a photo of a man and text about social media.

The Netherlands

